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Special Analysis

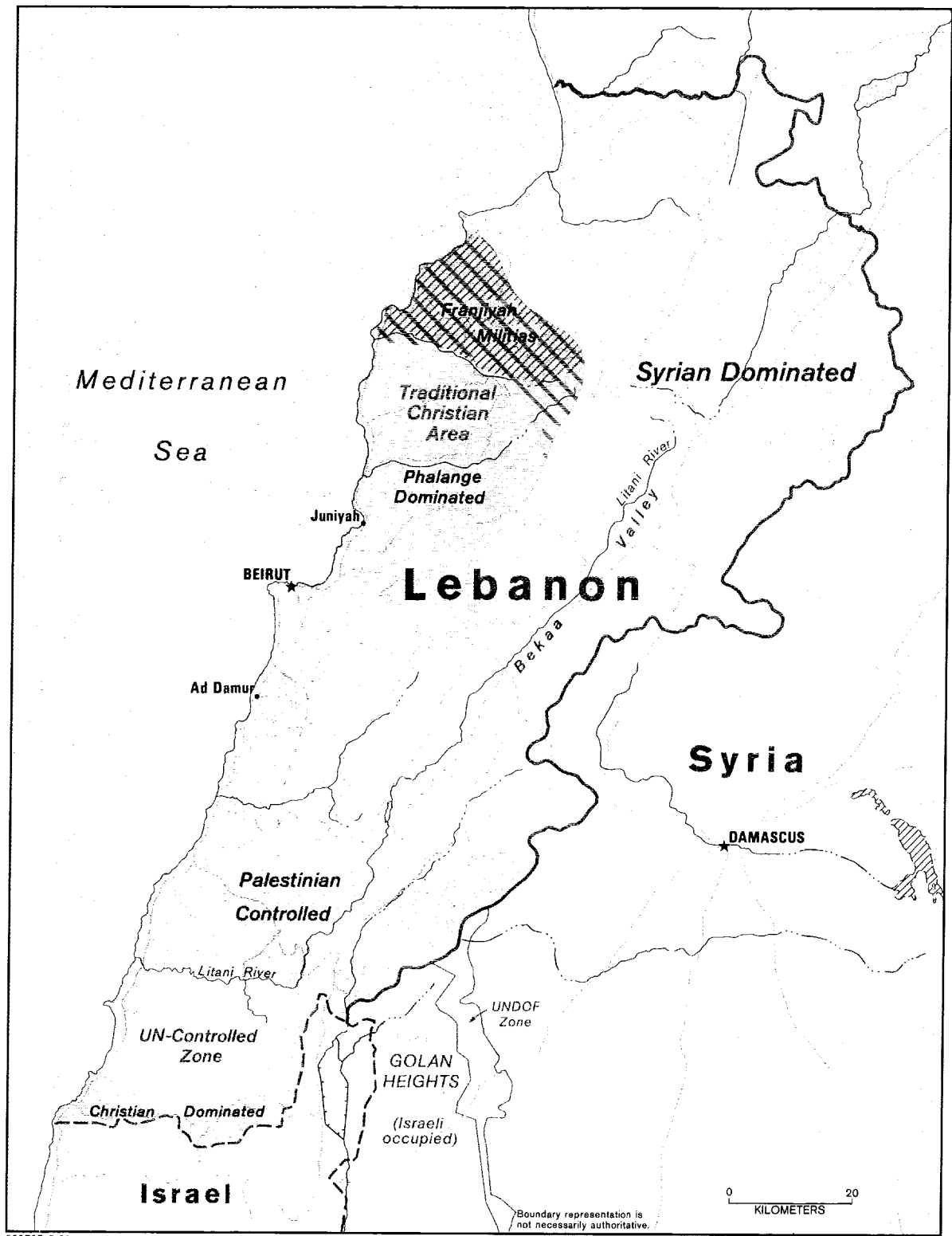
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LEBANON: Arms Buildup

Libyan-supplied arms continue to arrive in Syria for transfer to radical Palestinians and Lebanese leftists. [redacted]

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[redacted] saw several ZSU-23-4 self-propelled antiaircraft guns being readied for shipment to Lebanon this weekend. [redacted] believes the Soviet manufactured guns came from Libya and will be used to protect the Libyan manned SA-9 missile site which was reportedly set up near Ad Damur recently.

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The rapid increase in Libyan-provided weaponry--large amounts of artillery, rocket launchers, and ammunition have arrived in Lebanon from Tripoli in recent weeks--has alarmed PLO leader Arafat. He is concerned because much of the weaponry is going to radical factions which he does not control. [redacted]

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Israeli Arms to Phalange

Israel continues to provide arms to the Maronite Phalange militia. [redacted]

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[redacted] Prime Minister Begin revealed this weekend that Israel promised secretly in 1979 to defend the Maronite militias from Syrian air attacks. [redacted]

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No new Israeli or Syrian troop movements were detected over the weekend. [redacted] missiles fired from just inside Syria destroyed another Israeli reconnaissance drone yesterday over the Bekaa Valley. This was the third pilotless aircraft the Israelis have admitted losing since the beginning of the crisis. [redacted]

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Syrian-Saudi Consultations

President Assad's brother Rifaat returned to Damascus on Sunday after meeting with Saudi officials in Riyadh. According to press reports, Rifaat and the Saudis discussed augmenting the Syrian-dominated Arab peacekeeping force in Lebanon with troops from other Arab countries.

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SPAIN: Leftists Press Government

Leftist opposition efforts to expose alleged government cover-ups of criminal activities by the Civil Guard could further increase tensions in the military. [redacted]

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The Socialist and Communist parties have demanded a full investigation into the terrorist takeover of a Barcelona bank on Saturday. According to early press reports, released hostages and some government sources said that there were 24 rightwing assailants, including several Civil Guards, in the bank. When government forces stormed the building, however, they captured only 11 terrorists whom they described as anarchists and common criminals. [redacted]

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Since extremists of both the left and right in Spain seek to destabilize the democratic government, it is sometimes difficult to tell which side is behind a given attack. In this case, however, the right is implicated by the terrorists' demand for the release of Civil Guard Colonel Tejero and three other ringleaders of the attempted coup in February. Several rightwing extremists were picked up for questioning yesterday, but the government will come under intense pressure to investigate the possibility of a Civil Guard role in the bank takeover. [redacted]

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The government is already under leftist pressure to investigate the mysterious death of three suspects detained by the Civil Guard. Socialists alleged in parliament last Thursday that the corpses of the three men, who died in a car crash earlier this month while on their way to be interrogated, had bullet wounds and that a gasoline can was found in the burned out wreckage of the car. A Socialist deputy accused the government of covering up for the Civil Guard. [redacted]

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Military misgivings about politicians in general will deepen if the left presses these cases during this period of high political tension in Spain. The military hierarchy already suspects that the parties are jockeying for partisan advantage while the stability of Spain is further undermined. Military leaders will also be quick to assume that the left is mounting a witch hunt against the Civil Guard. [redacted]

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ITALY: Government To Resign

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The Forlani government is expected to resign today following Socialist Party Secretary Craxi's refusal to accept the Prime Minister's suggestion that political fallout from the spreading Masonic Lodge scandal be minimized by reshuffling ministerial portfolios. []

The scandal has already forced the resignation of Justice Minister Sarti. Pressure is now building for Minister of Public Administration Darida and Minister of Foreign Trade Manca to resign. []

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Manca is a Socialist, and Craxi almost certainly aims to divert public attention away from his party's role in the Masonic affair prior to important local and regional elections scheduled for next month. By holding out for the resignation of the entire government, Craxi hopes that the Socialists will be perceived as the champions of honesty in government. []

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The gambit is intended to boost his party's chances in the elections and help his own ambitions to lead a future government. Craxi probably also is seeking to steal the spotlight from the Communists--the first party to call for the government's resignation over the Masonic scandal. []

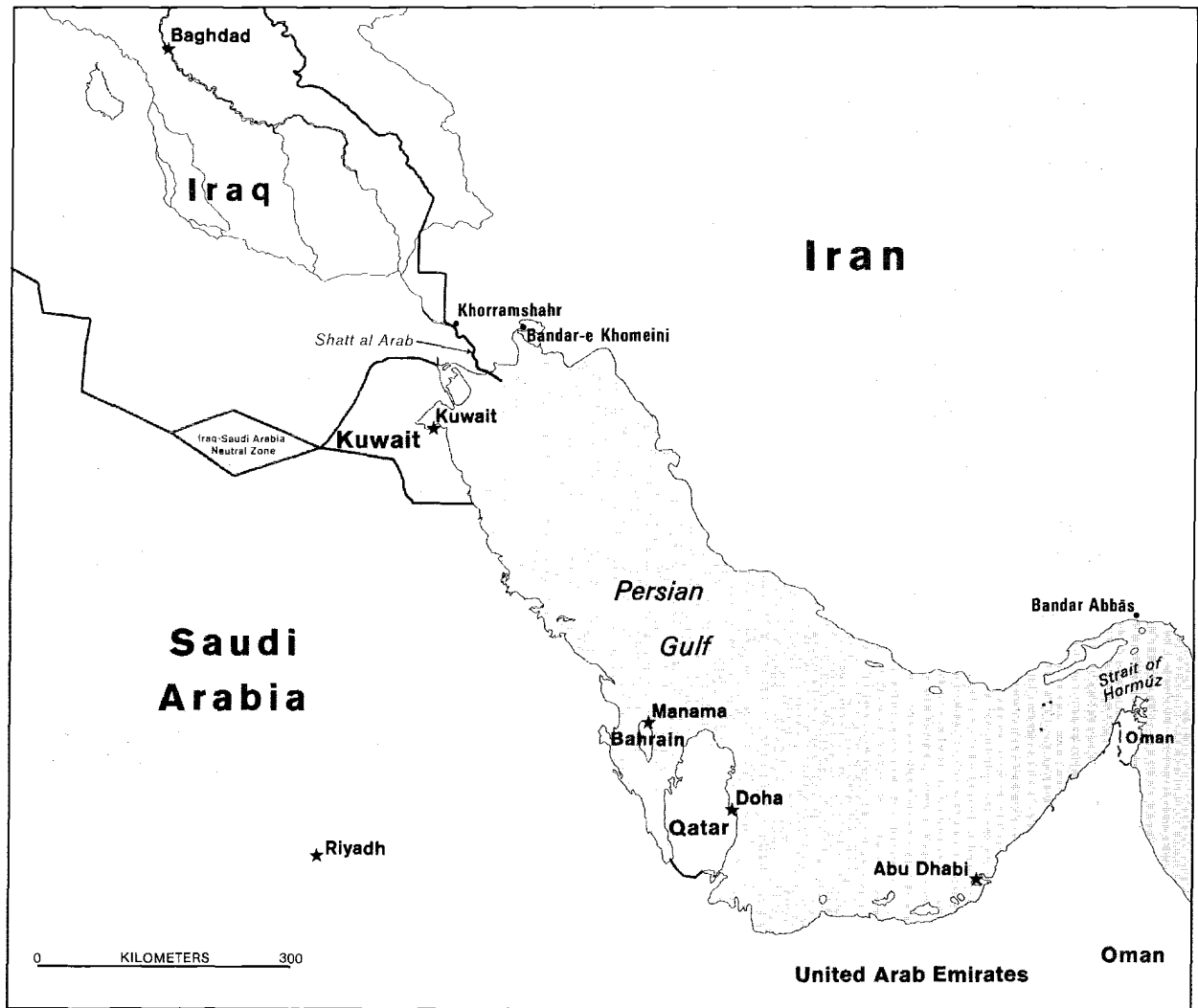
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Craxi is not likely to press his demands to form a successor to the Forlani government until after the elections. In the interim, Forlani probably will be able to piece together a new cabinet based on the existing four party coalition formula. []

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PERSIAN GULF: Shipping Developments

Recent attacks against two merchant vessels in the northern Persian Gulf area will further delay a return to normal shipping operations in that area. [REDACTED]

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The reported sinking last Wednesday of a Panamanian cargo vessel off the coast of Iran in the northern Persian Gulf and an attack two days earlier against a Bermudian ship en route to Khorramshahr may result in an increase in maritime insurance rates. [REDACTED]

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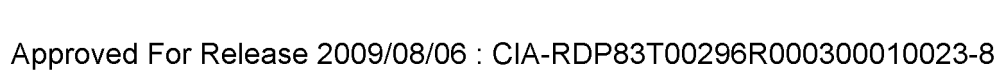
The attacks also are likely to complicate UN Special Envoy Palme's attempts to reach a settlement for the release of ships trapped in the Shatt al Arab. In addition to the problems of obtaining guarantees of safe passage from the belligerents, Palme has had some difficulty in arranging insurance coverage for the ships during outbound transit. [REDACTED]

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UGANDA: Searching for Military Support

President Obote's beleaguered government is seeking new foreign military support, but it is unlikely to secure a force to replace the 10,000 Tanzanian troops scheduled to withdraw from Uganda by the end of June. [redacted]

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Obote wants a Commonwealth or an OAU force to replace the Tanzanians, and he has sent representatives to seek military aid from a number of African and Arab countries, including Egypt and Nigeria. Although he apparently has not yet asked for substantial Soviet or Cuban security assistance, he might do so if dissident attacks increase and he receives insufficient assistance from other sources. [redacted]

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Obote also is trying to improve relations with neighboring states, where some of the dissidents are based. He plans to hold regional security discussions soon in Kinshasa with the presidents of Zaire and Sudan and evidently hopes to include Kenyan and Tanzanian leaders in a subsequent meeting. [redacted]

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Uganda's neighbors are worried about an additional influx of Ugandan refugees and increased dissident activities along their borders, but none has the resources to replace the Tanzanian troops. Sudan and Kenya, however, are training small numbers of Ugandan security personnel. [redacted]

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Kenya and Zaire have not curbed Ugandan dissident activities on their territory. The Sudanese have had only limited success in restricting former troops from Idi Amin's army who have staged attacks into Uganda from bases in Sudan and Zaire. [redacted]

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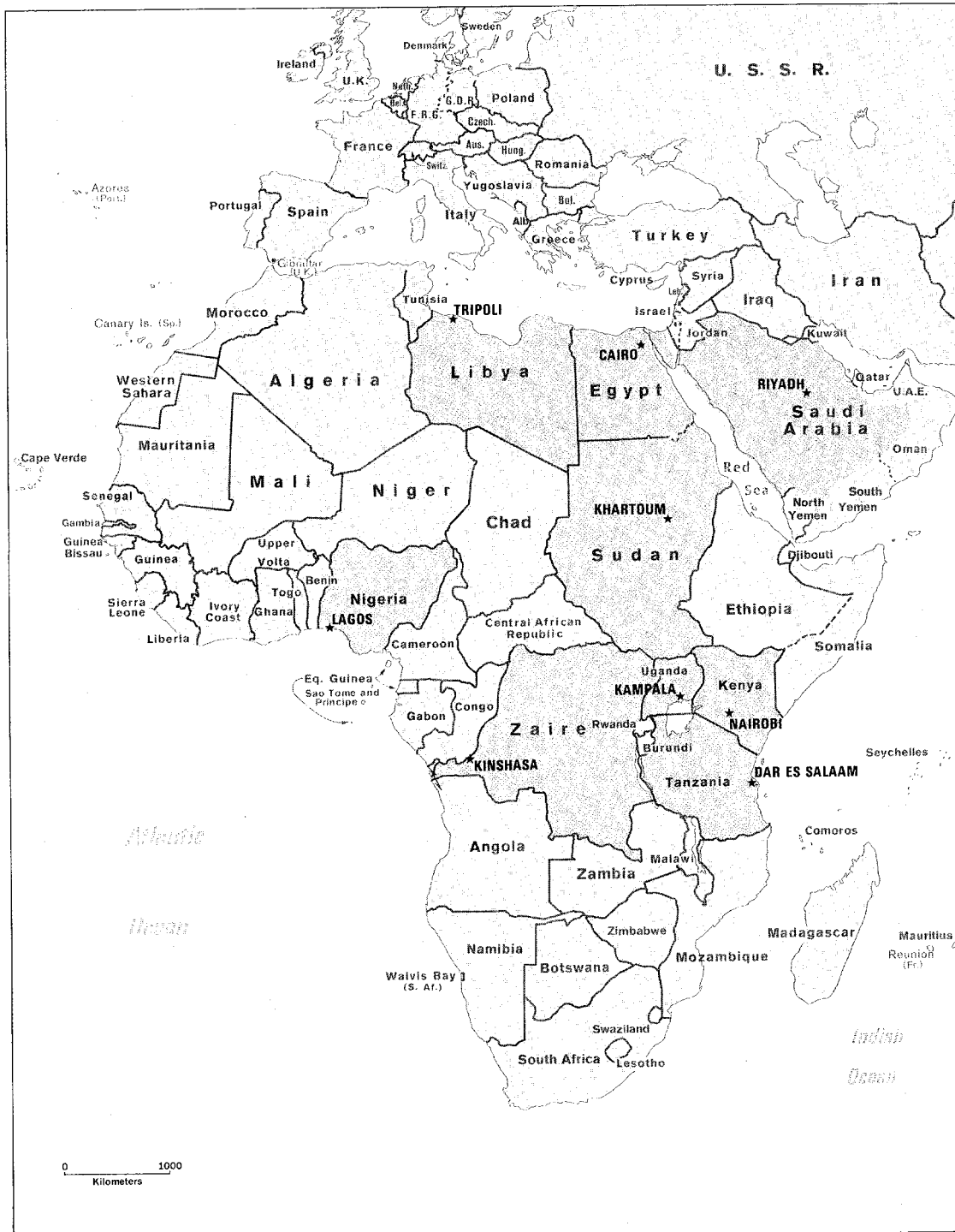
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The dissidents inside Uganda will increase their attacks with the departure of the Tanzanians. These attacks will be designed in part to embarrass Obote at the time of the OAU summit meeting in Nairobi next month. [redacted]

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USSR-JORDAN: Hussein's Visit

The Soviets will use King Hussein's visit, which begins today, to further enhance the USSR's credentials as a vital actor in the Middle East. [redacted]

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Moscow will try to obtain the King's personal endorsement of its initiative for an international conference on the Middle East--announced by President Brezhnev in February. The Soviets presumably believe that such backing would give the idea momentum and produce broader Arab support. [redacted]

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The USSR realizes that its claim to a direct role in any negotiations would be advanced by establishing closer relations with Amman. The Soviets would like to ensure that their position in the Middle East is not exclusively dependent on the more radical Arab states and, to this end, probably will renew their offer to sell military equipment to Jordan. [redacted]

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The Soviets will encourage the King to voice strong support for Syria in the dispute with Israel. They probably hope that the crisis will ameliorate the rift in Syrian-Jordanian relations and offset Amman's close relations with both Iraq and the moderate Arab states. [redacted]

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[redacted]

The King is interested in alternatives to the Camp David process, nonetheless, and will want to hear what the Soviets have in mind. He is unlikely, however, to endorse a specific Soviet proposal. Despite his concerns about Soviet meddling in the Middle East, Hussein is probably interested in purchasing some Soviet military items, particularly low-level air defense equipment. [redacted]

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LIBYA-NIGERIA-CHAD: Summit Collapses

Talks between Libyan leader Qadhafi and Nigerian President Shagari in N'Djamena last week failed to make progress toward resolving the Chad problem. Qadhafi rejected Shagari's request that Libyan troops withdraw from Chad or become part of an inter-African peacekeeping force. Shagari probably had no illusions about achieving a settlement and may have attended the meeting only to underscore his opposition to Libya's military presence in Chad before the opening of the OAU heads-of-state summit in Nairobi next month. The Nigerians could point to Qadhafi's unwillingness to cooperate as a face-saving way to wash their hands of the matter.

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EAST GERMANY - JAPAN: Honecker's Visit

East German leader Honecker today begins a one-week visit to Japan, his first to a major non-Communist country. The East Germans, who have been seeking this prestige-enhancing visit since 1975, are eager to promote a political dialogue and portray the Warsaw Pact countries as valuable economic partners. The most tangible result of the visit will be an agreement to increase trade and economic cooperation. East Berlin wants to reduce its dependence on West Germany and views Japan--now only a small trading partner--as an alternative source of the high technology, trade, and credits needed to maintain economic growth. Honecker probably also expects--unrealistically--to find a sympathetic audience for the Warsaw Pact's current "peace offensive."

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President Osvaldo Hurtado

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ECUADOR: President Killed

President Jaime Roldos was killed Sunday in a plane crash near the Peruvian border, and shortly thereafter Vice President Osvaldo Hurtado was sworn in as President. Although a Colombian newspaper reported that it received two telephone calls from someone stating that Colombia's terrorist group, the M-19, was responsible for the accident, there is no official evidence to support that claim.

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Despite high expectations, Roldos' record was disappointing, marred by a succession of political and military reversals. Military leaders expressed some dissatisfaction, but had evidenced no inclination to depose Roldos and return to power. They are likely, however, to watch closely the activities of new President Hurtado, a moderate leftist, who was opposed as Roldos' running mate by some hardline officers in 1979. Although he is critical of many aspects of capitalism and wants to improve the lot of the lower classes, Hurtado apparently does not advocate rapid reforms or radical changes.

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SPECIAL ANALYSIS

ISRAEL: Begin's Election Prospects

Prime Minister Begin continues to gain in his bid for reelection on 30 June. If current voter momentum continues to shift away from Labor toward his Likud bloc, Likud will have enough seats in the Knesset to form Israel's next coalition government. A peaceful resolution of the crisis in Lebanon, gaining Syria's agreement eventually to withdraw its air defense missiles, would create increased voter support for Begin. War with Syria, on the other hand, probably would lead to Begin's defeat.

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Israeli polls vary somewhat in the number of Knesset seats they project for both parties, but since late January all have shown Likud steadily chipping away at Labor's once formidable lead. The polls also point to a parallel rise in Begin's personal popularity. One in mid-May claims that Israelis prefer him to Labor Chairman Peres for Prime Minister by nearly a two-to-one margin.

Support for Dayan's new party has dropped sharply. Polls now give it only four Knesset seats, but this still might give Dayan substantial leverage if Likud or Labor needs his participation to form a coalition majority.

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Impact of Crisis in Lebanon

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The impasse with Syria has allowed Begin to focus Israeli public attention on security issues, his strongest suit. There is a domestic consensus behind Begin's principal demand that Syria remove its missiles in eastern Lebanon.

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A peaceful resolution of the crisis would enable Begin to refute Labor charges that he is inclined to take hasty military action. It also would give him a new opportunity to reiterate his claim that he has protected Israel's security interests without involving the country in a major military conflict.

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Begin's handling of the crisis has reinforced his position among the hawkish Sephardic Jews of Middle East and North African origin, a key Likud constituency. If an agreement is worked out providing for eventual Syrian withdrawal of the missiles, he probably would gain increased support among voters of the traditionally pro-Labor middle class. [redacted]

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The Prime Minister will keep a watchful eye on Palestinian activity in southern Lebanon and will certainly order a substantial military response to any major Palestinian artillery and rocket attacks against communities in northern Israel. Begin is confident that the Israeli public would applaud firm action against the Palestinians, even at the risk of Syrian involvement and Israeli military losses. [redacted]

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Economic Issues

Begin has temporarily eased voter concern about the economy, which last year had the highest inflation rate in the world. Likud Finance Minister Aridor's repeated cuts in consumer purchase taxes in recent weeks and increased subsidies of consumer goods have reduced the prices of numerous consumer items, robbing Labor of its most important campaign issue. [redacted]

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Nevertheless, the economy could again become a major liability for Begin in the final weeks of the campaign. The consumer price index in April rose by nearly 11 percent--about twice the increases in February and March. In addition, worker unrest is on the rise over longstanding wage negotiations affecting teachers, postal workers, and employees of the state-run broadcasting system. [redacted]

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Aridor will pull out all the stops to hold the inflation rate in May--which will be published only two weeks before the election--to a single-digit figure and to reach wage settlements heading off serious strike activity. [redacted]

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Outlook

Begin probably will have a decisive edge in forming the next government if the election leaves Likud and Labor relatively evenly matched or even if Likud ends up trailing Labor by a few seats. The National Religious Party, an indispensable coalition partner for either Labor or Likud, will be strongly inclined to continue its political partnership with Begin because of the increased influence of the Religious Party's hawkish youth wing. [REDACTED]

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A new Begin coalition probably would include also the ultra-orthodox Agudat Israel and the new, ultranationalist Tehiya Party. Such a coalition would give Israel a government with an even stronger nationalist and religious orientation. [REDACTED]

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